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**United States Department of Agriculture
Rural Development
Columbia, Missouri
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January 18, 2013

TO: All Guaranteed Lenders and Appraisers

FROM:


Anita J. Dunning
State Director

SUBJECT: Recent Changes in the Missouri Rural Development Guaranteed Home Loan Program

Missouri Rural Development (RD-MO) had a very successful 2012 year, resulting in obligating 5,015 loans at \$549,515,305, this could not have been achieved without you. To date, Missouri has obligated 16 percent more loans than this time last year and that is thanks to you. To continue the trend of providing assistance to you and your customers, we are excited to inform you of new and improved changes to the Guaranteed Rural Development Housing program. We understand our policies are different than Housing and Urban Development (HUD) guidelines. However, to be more consistent we have been instructed by our National Office to adopt the HUD guidelines on the items listed below. We believe these changes will streamline our program to be more beneficial to you and your customers. These changes are effective immediately.

Vapor Barriers are NO longer required to be installed in the crawl space of existing homes as per HUD Handbook Guidelines.

Road Maintenance Agreements: RD-MO will no longer require Road Maintenance Agreements to be recorded. The home has to have a recorded easement for ingress and egress to the property but we will no longer require the recorded Road Maintenance Agreement.

Basement egress and Earth Berm homes: RD-MO will follow published guidance in RD Instruction 1980-D for Single Family Housing Guaranteed Loans immediately. RD Instruction 1980-D, Section 1980.341(b) (i) requires existing homes to meet HUD Handbooks 4150.2 and 4905.1. HUD Handbook 4150.2 instructs the appraiser on how above grade or below grade rooms may be VALUED as a bedroom. If the space does

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not have proper egress (for above or below grade rooms) then they are not allowed to be valued as bedrooms.

Egress is not a requirement for basements. The entire basement can have no windows, no doors and still be acceptable. The egress requirement for all spaces (above and below grade) is ONLY to determine if the space may be valued as a bedroom. Bedrooms will carry more value than extra rooms and bedrooms must meet the egress requirements of HUD Handbooks in order to be considered a bedroom. Finished space is finished space.

RD-MO looks to IRC 2000 Building code to establish the minimum criteria for health and safety issues for new construction but we cannot hold existing homes to the same criteria.

Acreage and Out Buildings: Highlighted below are changes clarified in AN 4688, SFH Guaranteed Loan Program Outbuildings and Property Eligibility:

You as the lender and/or appraiser needs to decide if the outbuilding structure is a “functional farm service structure and if it is income producing or a non-functional farm service structure that has little to no value”.

If the outbuilding structure is a functional farm service building such as a barn and/or machine shed that have value but the “site” is not income producing and is typical for the area, then the appraiser must subtract the contributory value (just like we do on in-ground swimming pools).

The acreage criteria will not change. If the site value is over 30% of the total appraised value or the site can be sub-divided, it is not eligible.

Rural Development will be relying upon you as the lender and your appraisers/inspectors, to determine if the house meets the HUD Handbook Guidelines 4150.2 and 4905.1. Rural Development employees are not appraisers and we do not underwrite your loans. Once Rural Development receives a completed file from you as the lender we will review the file to determine if the borrower and property meet Rural Development Guaranteed guidelines. You need to remember this is your loan and may have other requirements along with Rural Development’s requirements.

The State Office Housing section has been notified by National Office that the matrix AN 4699 is being revised and will be issued shortly. Until that time, please continue to refer to the existing matrix for guidance.

Please keep in mind, that the policy changes above will only affect the Guaranteed Rural Housing programs, not the Direct Rural Housing loan program at this time.

Proposed “Ineligible Counties”: Continue to refer to RD National Office AN 4679, in regard to the implementation of the 2010 Census data. The AN 4679 stated that the 2010 census information will be implemented on March 27, 2013. However until that time or unless specially directed otherwise, we continue to use the 2000 census data. I have not heard any information different than what is listed in the AN 4679 and if State Office

does receive information, I will have the Housing section forward the information out immediately to you.

If you have any questions, feel free to contact Pam Anglin or Nancy Long.